

Accountancy Review

**Tennessee State Board of Accountancy
Department of Commerce and Insurance**

<u>New Accountancy Law and Rules in effect as of October 1</u>	<u>Renewal Checklist</u>
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New Accountancy Law and Rules in effect as of October 1

The Legislature passed the new Accountancy Act of 1998, effective October 1, 1998.

The major changes are as follows:

- On October 1, all two-tiered certificate holders were converted to an active status. The two-tiered status is now obsolete in our system. Continuing Professional Education (CPE) for the 1998 year for the converted certificate holders will not be affected. Starting in January of 1999, the CPE requirement will be 80 hours every two-year reporting period. Those who do not want to hold an active certificate can submit an affidavit to be put into an inactive status.
- Beginning January 1, 1999, inactive certificate holders will not be required to obtain CPE. Inactive certificate holders are required to complete the required amount of CPE for the 1998 year. If you are an even number certificate holder you will need at least 15 hours for 1998, and meet the one, two or three year requirement of 30, 60 or 90 hours, depending on when you were

certified. If you are an odd numbered certificate holder, you will need to complete 30 hours of CPE in 1998.

- Tennessee has adopted the Notification of Intent to Practice Public Accountancy in Tennessee process. This will affect individuals and firms licensed in other states who want to practice in Tennessee. If you are currently an active certificate holder in another state, in good standing, and work in a CPA firm, you may come into the State of Tennessee and do work under the Notification process. Contact the National Association of State Boards of Accountancy (NASBA) for the proper application and fee at (615) 880-4200 or click www.nasba.org/CredentialNet/Tennessee.htm

The new Law and Rules are not yet available in print or on the internet. We will provide links to the Law and Rules when they are available. The new Law will be put on the internet by the [Lexis Law Publishing](#) when available and the Rules will be put on the internet by the [Tennessee Secretary of States Office](#). At this time, the only written information available is the Bill that was passed in February 1998 which is available at the [TSCPA's](#) web site.

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CPE Audit Still In Progress

WHERE IS MY AUDIT??

As many of you recall, the Board sent out audit notices in June. The due date to return the completed audit was August 31. We were a little overzealous in our audits. We audited 20 percent of our CPAs, which means we have approximately 2,000 audit reports to review and return. We are hoping to have these audits completed and returned by the end of November. We appreciate your patience in this matter.

A little reminder: Unsure of CPE credit? See if the brochure has a NASBA emblem or contact the Board!!

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Renewal Checklist

By the end of November, the Board will have mailed certificate and firm renewal forms to more than 9,000 Tennessee CPAs. By carefully reading the instructions on the renewal forms and by following the checklist below, you can ensure that your completed renewal form is received by the Board prior to the December 31, 1998, deadline.

Does the Board have your correct mailing address and phone number? TCA 62-1-125 requires that all certificate holders notify the Board in writing within 30 days of any change in address (including telephone number) or business location. Each year, the Board receives renewal forms by return mail that the postal service has marked "undeliverable" because licensees have moved or changed jobs and did not notify the Board. If the Board does not have your current address, you won't receive a renewal form, which in turn leads to administrative closure of your certificate for failure to renew.

If you do not receive a renewal form by December 15, 1998, please contact Debbie Parker or Dan Syriac, CPA Licensing Coordinators, at (615) 741-2550 so a replacement form can be mailed or faxed to you.

Did you follow the renewal form instructions and properly complete each section of the form? Most of the time, renewal forms can be processed without any problem. However, because the renewal form is considered a legal document, the Board staff cannot insert missing information, correct inaccurate information or process a form that has not been signed by the licensee. Consequently, the form must be returned to you for correction and/or completion.

If you have questions about the renewal process that are not answered by the instructions, you may contact the Board for clarification or explanation.

Did you accurately calculate and report your Continuing Professional Education (CPE) hours?

Active, even-numbered certificate holders who were licensed prior to December 31, 1995, must have completed at least 120 hours of CPE by December 31, 1998, with a minimum of 20 hours in each year. Active, even-numbered certificate holders who were licensed between January 1, 1996 and December 31, 1996, must have completed at least 80 hours of CPE by December 31, 1998, with a minimum of 20 hours per year. Active, even-numbered certificate holders who were licensed between January 1, 1997 and December 31, 1997 must report at least 40 hours of CPE for 1998.

Inactive, even-numbered certificate holders who were licensed prior to December 31, 1995, must report at least 90 hours of CPE by December 31, 1998, with a minimum of 15 hours in each year. Inactive, even-numbered certificate holders who were licensed between January 1, 1996 and December 31, 1996 must report at least 60 hours of CPE by December 31, 1998, with a minimum of 15 hours in each year. Inactive certificate holders who were licensed between January 1, 1997 and December 31, 1997 must report at least 30 hours for 1998.

Please note that beginning January 1, 1999, inactive certificate holders will no longer be required to obtain CPE.

Did you enclose the \$100 CPA certificate renewal fee and/or the \$50 firm permit renewal fee with your form(s)?

You may pay the renewal fees by submitting a check or money order made payable to the Tennessee State Board of Accountancy. The Board cannot cash a check made payable to any other entity, including the Tennessee Society of CPAs (TSCPA); therefore the renewal form cannot be processed because it is incomplete.

If a check fails to clear the bank, the renewal form is

considered incomplete and will be returned to the licensee.

Did you use the business reply envelope to file your renewal form? Using the business reply envelope reduces the chance that your renewal will get lost in the mail. In addition, the postal service claims that business reply mail is processed more quickly, thus ensuring that your renewal is received and processed by the Board in a timely manner.

Did you mail your renewal well in advance of the December 31, 1998 deadline? Licensees who do not submit a properly completed renewal form and the appropriate renewal fee by December 31, 1998, will be charged a 100 percent penalty for late filing. Those who have not renewed by March 31, 1999 will be considered delinquent and will be assessed a penalty of \$200.00.

Don't let time slip away from you--complete and submit your renewal form as soon as possible. If you have questions about the renewal process, please contact the Board at (615) 741-2550.

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Understanding Compilations, Reviews and Audits

Compilations, reviews and audits are each designed to meet a different need. The difference between these services is the level of assurance offered on financial statements. The more the CPA knows about the financial statements, the higher the level of assurance that can be offered. Let us examine the characteristics of each engagement for a clearer understanding.

Compilations:

During a compilation, a CPA simply prepares the financial statements of a private entity by arranging into the

conventional financial statement form the data and information provided by the entity's management. Through compilation services, a CPA prepares monthly, quarterly, or annual financial statements but offers no assurance as to whether material or significant changes are necessary for the statements to be in conformity with generally accepted accounting principles, the cash basis, or the income tax basis of accounting. In other words, no "beneath the surface" probing is conducted unless the CPA becomes aware that the data provided is in error or is incomplete.

Reviews:

A private entity, such as one that must report its financial position to third parties, such as creditors or regulatory agencies, may engage a CPA to perform a review of its financial statements and issue a report that provides limited assurance that material changes to the financial statements are not necessary. Basically, a review is an inquiry and analytical procedure applied to financial statements. Keep in mind that during a review, a CPA does not confirm balances with banks or creditors, observe inventory counting, or test selected transactions by examining supporting documents. The CPA must also remain independent of the client and all appropriate footnotes must be included in the reviewed statements.

Audits:

Of the financial statement services that a CPA can provide to a client, an audit is the most extensive. An audit is appropriate for entities that must provide, to outside parties, the highest level of assurance that the financial statements are presented fairly in conformity with generally accepted accounting principles. In an audit, the CPA obtains sufficient, competent evidential matter somewhat enabling the expression of reasonable assurance as to the fairness of presentation of the financial statements. The level of assurance in an audit, while described as "reasonable assurance," is not absolute. In an audit, the CPA generally confirms balances with banks or creditors, observes inventory counting and tests selected transactions by examining supporting documents. In an audit, as in a review, the CPA must be independent of the client and the financial statements must contain all required footnotes.

Knowing the differences among these services, as well as their applicability, is an important component of a CPA offering the appropriate service to his or her clients.

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